

PENNRIDGE SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2014



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennridge School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Pennridge School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennridge School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, budgetary comparison information on pages 52 and 53 and postemployment benefits other than pension funding progress on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennridge School District's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal and certain state awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal and certain state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal and certain state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the Pennridge School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pennridge School District's internal control over financial reporting and compliance.

Maullie LLP

Oaks, Pennsylvania
December 18, 2014

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

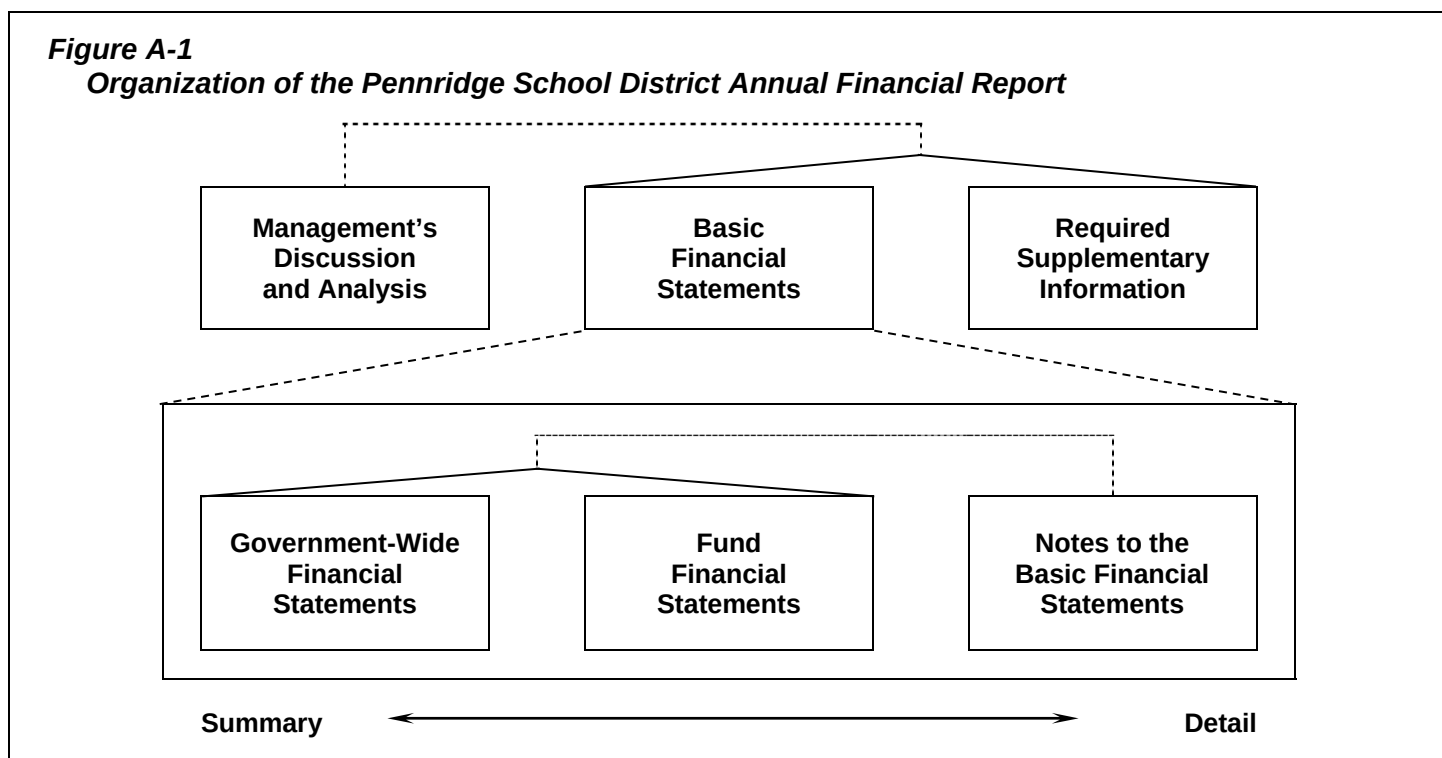
This section of the Pennridge School District's annual financial report presents its discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2014. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Pennridge School District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$78,977,601 (net position).
- The School District's total net position increased by \$3,716,141.
- As of the close of the current fiscal year, the Pennridge School District's Governmental Funds reported combined ending fund balances of \$32,419,101, an increase of \$6,552,396 in comparison with the prior year. Most of this fund balance is restricted or committed for specific capital projects and expenditures.
- The unassigned fund balance of the General Fund is \$6,645,408 or 6% of total General Fund expenditures.
- The School District saved \$772,614 on bond refinancing.

OVERVIEW OF THE FINANCIAL STATEMENTS

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another.



PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

This discussion and analysis is intended to serve as an introduction to the Pennridge School District's basic financial statements. The Pennridge School District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Pennridge School District's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Pennridge School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference between the four reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Pennridge School District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Pennridge School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Pennridge School District include Instruction, Support Services, Operation of Non-Instructional Services, Depreciation Expense, Unallocated and Interest on Long-Term Debt. The business-type activity of the Pennridge School District is Food Services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Pennridge School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Pennridge School District can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds - Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

The Pennridge School District maintains two individual Governmental Funds. Information is presented separately on the Governmental Funds balance sheet and on the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Projects Fund, both of which are considered to be major funds.

The Pennridge School District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund for your review.

Proprietary Funds - The Pennridge School District maintains two different types of Proprietary Funds. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the Enterprise Fund for student food services and uses the Internal Service Fund to account for health insurance, self-insurance activities. Because the self-insurance activities benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

The information reported on the fund statements for the Proprietary Funds provides the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Pennridge School District's own programs. The accounting used for Fiduciary Funds is much like Proprietary Funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Pennridge School District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$78,977,601 at the close of the fiscal year.

Table A-1

Net Position

June 30, 2014 and 2013

	Governmental Activities	
	2014	2013
ASSETS		
Current and other assets	\$ 65,423,991	\$ 50,230,504
Capital assets	165,018,796	164,693,520
TOTAL ASSETS	<u>230,442,787</u>	<u>214,924,024</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,050,686</u>	<u>2,267,858</u>
LIABILITIES		
Current and other liabilities	22,329,588	14,552,923
Long-term liabilities	131,412,495	127,040,016
TOTAL LIABILITIES	<u>153,742,083</u>	<u>141,592,939</u>
DEFERRED INFLOWS OF RESOURCES	<u>240,830</u>	<u>1,691,565</u>
NET POSITION		
Net investment in capital assets	32,032,952	43,794,558
Restricted	10,160,642	1,005,480
Unrestricted	35,316,966	29,107,340
TOTAL NET POSITION	<u>\$ 77,510,560</u>	<u>\$ 73,907,378</u>

Business-Type Activities		Totals	
2014	2013	2014	2013
\$ 1,278,613	\$ 1,204,700	\$ 66,702,604	\$ 51,435,204
270,954	204,432	165,289,750	164,897,952
<u>1,549,567</u>	<u>1,409,132</u>	<u>231,992,354</u>	<u>216,333,156</u>
-	-	1,050,686	2,267,858
53,747	31,131	22,383,335	14,584,054
28,779	23,919	131,441,274	127,063,935
<u>82,526</u>	<u>55,050</u>	<u>153,824,609</u>	<u>141,647,989</u>
-	-	240,830	1,691,565
270,954	204,432	32,303,906	43,998,990
-	-	10,160,642	1,005,480
<u>1,196,087</u>	<u>1,149,650</u>	<u>36,513,053</u>	<u>30,256,990</u>
\$ <u><u>1,467,041</u></u>	\$ <u><u>1,354,082</u></u>	\$ <u><u>78,977,601</u></u>	\$ <u><u>75,261,460</u></u>

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities on page 17. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

Table A-2 takes the information from that statement and rearranges it slightly so you can see our total revenues for the year.

Table A-2

Changes in Net Position June 30, 2014 and 2013

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
REVENUES		
Program revenues		
Charges for services	\$ 491,623	\$ 571,934
Operating grants and contributions	13,325,461	12,903,812
Capital grants and contributions	676,332	654,705
General revenues		
Taxes, levied for general purposes	90,253,462	86,724,890
Grants and entitlements not restricted to specific programs	12,325,602	12,150,738
Miscellaneous	218,915	236,155
Gain on sale of capital assets	2,580	36,800
Investment earnings	101,154	95,609
	<u>117,395,129</u>	<u>113,374,643</u>
TOTAL REVENUES		
	<u>117,395,129</u>	<u>113,374,643</u>
EXPENSES		
Instruction	69,017,188	69,198,445
Operation and maintenance of plant services	9,109,085	8,344,031
Pupil transportation	5,126,206	4,807,723
Other support services	17,551,005	16,617,458
Student activities	1,192,678	1,159,657
Community services	76,669	75,964
Depreciation expense, unallocated	7,314,242	8,235,221
Interest on long-term debt	4,401,061	5,599,130
Food services	3,813	-
	<u>113,791,947</u>	<u>114,037,629</u>
TOTAL EXPENSES		
	<u>113,791,947</u>	<u>114,037,629</u>
CHANGE IN NET POSITION	\$ <u>3,603,182</u>	\$ <u>(662,986)</u>

Business-Type Activities		Totals	
2014	2013	2014	2013
\$ 1,716,713	\$ 1,742,279	\$ 2,208,336	\$ 2,314,213
902,366	855,110	14,227,827	13,758,922
-	-	676,332	654,705
-	-	90,253,462	86,724,890
-	-	12,325,602	12,150,738
-	-	218,915	236,155
-	-	2,580	36,800
3,710	3,940	104,864	99,549
2,622,789	2,601,329	120,017,918	115,975,972
-	-	69,017,188	69,198,445
-	-	9,109,085	8,344,031
-	-	5,126,206	4,807,723
-	-	17,551,005	16,617,458
-	-	1,192,678	1,159,657
-	-	76,669	75,964
-	-	7,314,242	8,235,221
-	-	4,401,061	5,599,130
2,509,830	2,425,139	2,513,643	2,425,139
2,509,830	2,425,139	116,301,777	116,462,768
\$ 112,959	\$ 176,190	\$ 3,716,141	\$ (486,796)

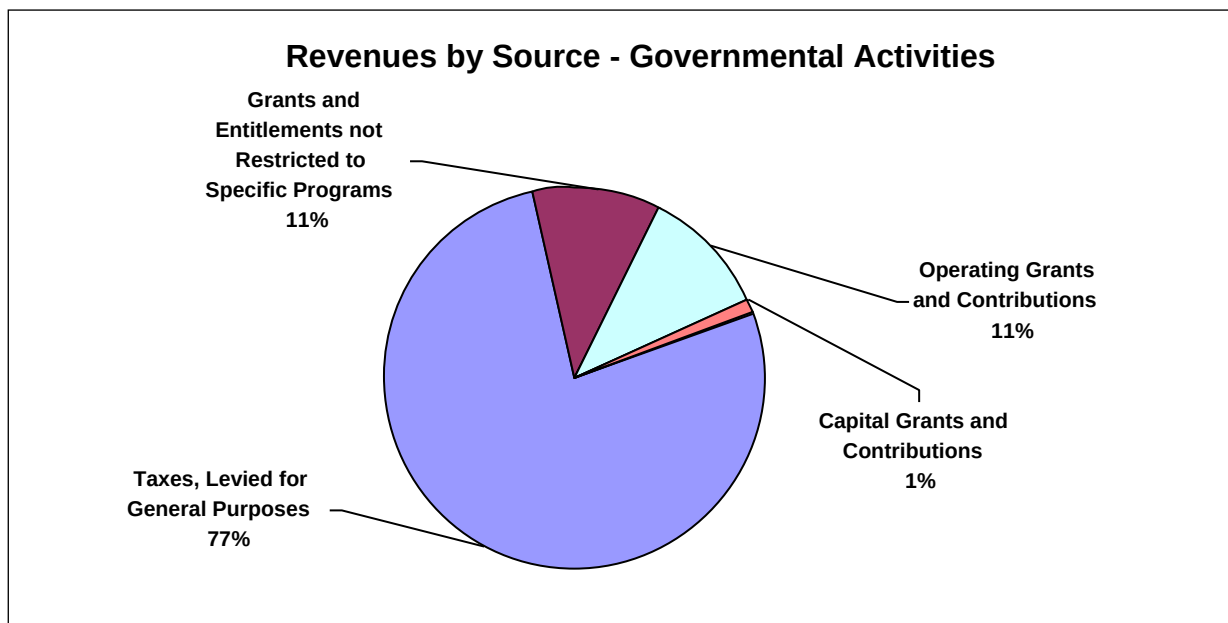
PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

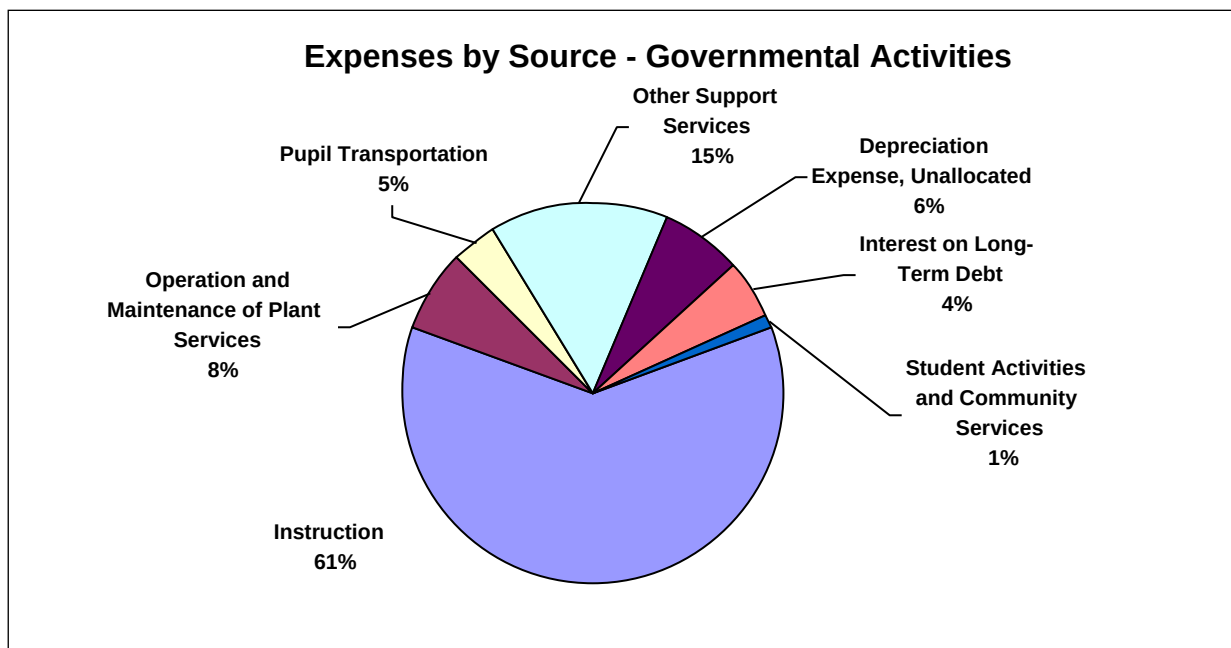
Year Ended June 30, 2014

Governmental Activities

Governmental activities increased Pennridge School District's net position by \$3,603,182. Table A-2 identifies the key revenues and expenses of the governmental activities. The following graph illustrates the key revenues of the District. As you will notice, local taxes support 77% of the total revenues, while operating grants and contributions are 11%. Investment earnings, miscellaneous revenues, capital grants and other unrestricted grants and subsidies account for 12%.



The following graph illustrates the functional distribution of the District's governmental activities expenses. The largest category of District expenses is the Instructional area that accounts for 62% of all governmental activities.



PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

Business-Type Activities

Business-type activities increased the Pennridge School District's net position by \$112,959. The District food service operation has reversed the downward progression and shows a net income increase for nine sequential years. The department has had its net position increase (decrease) as follows:

	<u>Net Income (Loss)</u>	<u>Ending Net Position</u>
2013 to 2014	\$ 112,959	\$ 1,467,041
2012 to 2013	176,190	1,354,082
2011 to 2012	92,542	1,177,892
2010 to 2011	200,295	1,085,350
2009 to 2010	182,141	885,055
2008 to 2009	78,129	702,914
2007 to 2008	15,783	624,785
2006 to 2007	45,945	609,002
2005 to 2006	40,525	563,057
2004 to 2005	(95,944)	522,532
2003 to 2004	(123,726)	618,476
2002 to 2003*	(157,845)	742,202

*There was a prior period adjustment that increased net assets by \$499,208 for the year ended June 30, 2003, to properly reflect the estimated cost basis of food service equipment.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Pennridge School District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Pennridge School District's Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Pennridge School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Pennridge School District's Governmental Funds reported combined ending fund balances of \$32,419,101, an increase of \$6,552,396 in comparison with the prior year. A large portion of ending fund balance is in our Capital Projects Fund (\$16,195,762). The fund balance in the Capital Projects Fund is restricted and committed funding for building renovations and equipment purchases identified in the District's Five-Year Capital Plan.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

The General Fund is the chief operating fund of the Pennridge School District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$6,645,408, while the total fund balance was \$16,223,339. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. The General Fund's unassigned fund balance represents 6% of General Fund expenditures, while total General Fund fund balance represents 14% of General Fund expenditures. The fund balance of the Pennridge School District's General Fund increased by \$628,248 during the current fiscal year.

The District uses the Capital Projects Fund to account for the inflow and outflow of financial resources relating to the issuance of long-term debt and transfers from the General Fund used to fund large capital projects and equipment purchases. The ending fund balance in the Capital Projects Fund for the fiscal year ended June 30, 2014, was \$16,195,762.

Proprietary Funds

The Pennridge School District's Proprietary Funds provide the same type of information found in the government-wide financial statements but in more detail.

Total net position of the Food Service Fund at the end of the year amounted to \$1,467,041. The District has been proactive in evaluating the operation of the nutritional services offered to the students. The Food Service Fund continued to operate with a profit of \$112,959.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Pennridge School District's actual revenues exceeded the budget amounts by \$1,904,292. Actual revenues exceeded estimated revenues because real estate collection rates exceeded the 96% rate used to prepare the budget. The following table identifies the specific revenue sources that reflect this situation:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Current real estate taxes	\$ <u>71,317,207</u>	\$ <u>72,271,547</u>	\$ <u>954,340</u>

The actual expenditures were less than the budgeted expenditures by \$989,579 of the final budget. Reasons for this decrease are due to savings in debt service due to bond refinancing.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Pennridge School District's investment in capital assets for its governmental and business-type activities for the current fiscal year amounts to \$165,289,750 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, construction in progress and furniture, equipment and vehicles. Major capital asset events during the current fiscal year included the following:

- Currently, there is \$1,384,215 of construction in progress.

Long-Term Debt

At the end of the current fiscal year, the Pennridge School District had total bonded debt outstanding of \$120,195,013. Of this debt, \$47,335,013 is variable rate; the remaining debt includes a fixed interest rate. All of the debt is general obligation debt and is backed by the full faith and credit of the School District. The District's debt decreased by \$26,835 from \$120,221,848.

State law prohibits the School District from issuing general obligation bonds in excess of 250% of the annual arithmetic average of total revenues for the three fiscal years ended preceding the date of incurring the debt. The current borrowing limit is \$190,823,618.

Additional analysis of the District's debt is included in the accompanying notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The District continued to receive and monitor assessment appeals by homeowners that resulted in the reduction of real estate assessed values. While the rate of decline has slowed, the District does not expect to see a strong up-turn in home values and new construction.
- Short-term interest rates continue to be at historically low levels. This has had an adverse effect on the District's investment earnings.
- Healthcare costs have increased over the past four fiscal years. We expect this to continue into the next fiscal year.
- The District's contribution to the Pennsylvania Schools Employee Retirement System is projected to increase at a very high rate over the next several years. The current economic condition suggests that the contribution rate will continue to increase for the foreseeable future.
- The contract with the Pennridge Education Support Professional Association expired on June 30, 2013. The District and Association meets on a regular basis to negotiate a successor agreement.
- The contract with the Pennridge Education Association expired on June 30, 2014. The District and Association meets on a regular basis to negotiate a successor agreement.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2014

All of these factors have been considered in preparing the Pennridge School District's budget in the 2014-2015 fiscal year.

The District, concerned with the decline in interest rates because of our high value of fixed rate debt, continues to look for opportunities to re-finance fixed rate outstanding bonds to a lower fixed rate.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Pennridge School District's finances for all those with interest in the District's finances. Questions concerning any of the information provided in this report should be addressed to the Business Administrator, Pennridge School District, Pennridge District Education Center, 1200 North Fifth Street, Perkasio, PA 18944-2295.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 15,816,527	\$ 950,123	\$ 16,766,650
Investments	44,580,642	208,707	44,789,349
Taxes receivable, net	2,018,298	-	2,018,298
Internal balances	129,047	(129,047)	-
Due from Fiduciary Funds	483	-	483
Due from other governments	1,106,242	155,330	1,261,572
Other receivables, net	590,948	16,332	607,280
Inventories	480,845	77,168	558,013
Prepaid expenses	145,777	-	145,777
Unamortized bond discount	184,149	-	184,149
Other assets	371,033	-	371,033
Capital assets			
Land and land improvements	950,176	-	950,176
Buildings and building improvements	221,503,835	-	221,503,835
Furniture, equipment and vehicles	27,803,311	2,256,424	30,059,735
Construction in progress	1,384,215	-	1,384,215
Accumulated depreciation	(86,622,741)	(1,985,470)	(88,608,211)
TOTAL ASSETS	230,442,787	1,549,567	231,992,354
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of hedging derivatives	240,830	-	240,830
Deferred charge on refunding	809,856	-	809,856
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,050,686	-	1,050,686
LIABILITIES			
Accounts payable	10,735,086	14,927	10,750,013
Accrued salaries and benefits	10,544,532	-	10,544,532
Accrued interest	665,599	-	665,599
Other current liabilities	384,371	-	384,371
Unearned revenue	-	38,820	38,820
Long-term liabilities			
Portion due or payable within one year			
Bonds/notes payable	8,704,603	-	8,704,603
Lease-purchase obligations	323,248	-	323,248
Portion due or payable after one year			
Unamortized bond premium	3,624,194	-	3,624,194
Bonds/notes payable	111,490,410	-	111,490,410
Lease-purchase obligations	679,675	-	679,675
Compensated absences	2,732,646	28,779	2,761,425
Net OPEB obligation	3,857,719	-	3,857,719
TOTAL LIABILITIES	153,742,083	82,526	153,824,609
DEFERRED INFLOWS OF RESOURCES			
Accumulated increase in fair value of hedging derivatives	240,830	-	240,830
NET POSITION			
Net investment in capital assets	32,032,952	270,954	32,303,906
Restricted	10,160,642	-	10,160,642
Unrestricted	35,316,966	1,196,087	36,513,053
TOTAL NET POSITION	\$ 77,510,560	\$ 1,467,041	\$ 78,977,601

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 47,506,970	\$ 242,053	\$ 6,303,890	\$ -
Special programs	18,096,997	-	4,936,622	-
Vocational education	2,907,345	-	-	-
Other instructional programs	505,876	29,265	-	-
Support services				
Pupil personnel services	4,160,012	-	-	-
Instructional staff services	3,046,884	-	-	-
Administration services	6,988,938	-	-	-
Pupil health services	1,244,969	-	798,146	-
Business services	689,366	-	-	-
Operation and maintenance of plant services	9,109,085	220,305	-	-
Student transportation services	5,126,206	-	1,286,803	-
Central services	1,089,274	-	-	-
Other services	331,562	-	-	-
Operation of non-instructional services				
Food services	3,813	-	-	-
Student activities	1,192,678	-	-	-
Community services	76,669	-	-	-
Depreciation expense, unallocated	7,314,242	-	-	-
Interest on long-term debt	4,401,061	-	-	676,332
TOTAL GOVERNMENTAL ACTIVITIES	113,791,947	491,623	13,325,461	676,332
BUSINESS-TYPE ACTIVITIES				
Food service	2,509,830	1,716,713	902,366	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 116,301,777	\$ 2,208,336	\$ 14,227,827	\$ 676,332

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Public utility taxes

Earned income taxes

Real estate transfer taxes

Other taxes

Grants and contributions not restricted to specific programs

Investment earnings

Gain on sale of capital assets

Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (40,961,027)	\$ -	\$ (40,961,027)
(13,160,375)	-	(13,160,375)
(2,907,345)	-	(2,907,345)
(476,611)	-	(476,611)
(4,160,012)	-	(4,160,012)
(3,046,884)	-	(3,046,884)
(6,988,938)	-	(6,988,938)
(446,823)	-	(446,823)
(689,366)	-	(689,366)
(8,888,780)	-	(8,888,780)
(3,839,403)	-	(3,839,403)
(1,089,274)	-	(1,089,274)
(331,562)	-	(331,562)
(3,813)	-	(3,813)
(1,192,678)	-	(1,192,678)
(76,669)	-	(76,669)
(7,314,242)	-	(7,314,242)
(3,724,729)	-	(3,724,729)
(99,298,531)	-	(99,298,531)
-	109,249	109,249
(99,298,531)	109,249	(99,189,282)
75,301,399	-	75,301,399
109,137	-	109,137
13,680,061	-	13,680,061
1,053,616	-	1,053,616
109,249	-	109,249
12,325,602	-	12,325,602
101,154	3,710	104,864
2,580	-	2,580
218,915	-	218,915
102,901,713	3,710	102,905,423
3,603,182	112,959	3,716,141
73,907,378	1,354,082	75,261,460
\$ 77,510,560	\$ 1,467,041	\$ 78,977,601

PENNRIDGE SCHOOL DISTRICT**BALANCE SHEET****GOVERNMENTAL FUNDS***June 30, 2014*

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 5,202,096	\$ 5,202,096
Investments	34,420,000	10,160,642	44,580,642
Taxes receivable, net	2,018,298	-	2,018,298
Due from other funds	129,530	1,950,000	2,079,530
Due from other governments	1,106,242	-	1,106,242
Other receivables	590,948	-	590,948
Inventories	480,845	-	480,845
Prepaid items	51,468	-	51,468
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>38,797,331</u>	\$ <u>17,312,738</u>	\$ <u>56,110,069</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 7,766,695	\$ 1,116,976	\$ 8,883,671
Due to other funds	1,950,000	-	1,950,000
Other current liabilities	384,370	-	384,370
Accrued salaries and benefits	10,544,532	-	10,544,532
TOTAL LIABILITIES	<u>20,645,597</u>	<u>1,116,976</u>	<u>21,762,573</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue, property taxes	<u>1,928,395</u>	<u>-</u>	<u>1,928,395</u>
FUND BALANCES			
Nonspendable			
Inventories	480,845	-	480,845
Prepaid expenses	51,468	-	51,468
Restricted for capital projects	-	10,160,642	10,160,642
Committed to			
Capital projects	-	5,735,120	5,735,120
Technology infrastructure upgrades	-	300,000	300,000
Financial software	15,986	-	15,986
Future retirement rate increase	8,609,632	-	8,609,632
Non-routine maintenance	270,000	-	270,000
Technology initiatives	150,000	-	150,000
Unassigned	6,645,408	-	6,645,408
TOTAL FUND BALANCES	<u>16,223,339</u>	<u>16,195,762</u>	<u>32,419,101</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>38,797,331</u>	\$ <u>17,312,738</u>	\$ <u>56,110,069</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2014

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 32,419,101

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:

Land and land improvements	950,176
Buildings and building improvements	221,503,835
Furniture, equipment and vehicles	27,803,311
Construction in progress	1,384,215
Accumulated depreciation	(86,622,741)

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred charges	857,055
Accumulated amortization on deferred charges	(47,199)

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements but are reported in the governmental activities on the statement of net position.

Unamortized bond discount	184,149
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The assets and liabilities of the Internal Service Fund are not included in the fund financial statements but are included in the governmental activities on the statement of net position.

9,228,357

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(665,599)
Bonds/notes payable	(120,195,013)
Lease-purchase obligations	(1,002,923)
Unamortized bond premium	(3,624,194)
Compensated absences	(2,732,646)
Net OPEB obligation	(3,857,719)

Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.

1,928,395

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 77,510,560

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 91,386,742	\$ 146	\$ 91,386,888
State sources	23,997,031	-	23,997,031
Federal sources	<u>1,273,103</u>	<u>-</u>	<u>1,273,103</u>
TOTAL REVENUES	<u>116,656,876</u>	<u>146</u>	<u>116,657,022</u>
EXPENDITURES			
Instruction	70,064,372	-	70,064,372
Support services	31,525,326	-	31,525,326
Operation of non-instructional services	1,378,493	630,500	2,008,993
Facilities acquisition, construction and improvement services	12,959	4,905,994	4,918,953
Debt service	12,099,184	-	12,099,184
Refund of prior year receipts	<u>56,501</u>	<u>-</u>	<u>56,501</u>
TOTAL EXPENDITURES	<u>115,136,835</u>	<u>5,536,494</u>	<u>120,673,329</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,520,041</u>	<u>(5,536,348)</u>	<u>(4,016,307)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issuance	7,569,373	-	7,569,373
Proceeds from refunding bonds	18,195,627	-	18,195,627
Payments to refund bond escrow agent	(18,129,249)	-	(18,129,249)
Bond premium	2,930,372	-	2,930,372
Transfers in	-	11,460,496	11,460,496
Transfers out	(11,460,496)	-	(11,460,496)
Proceeds from sale of fixed assets	<u>2,580</u>	<u>-</u>	<u>2,580</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(891,793)</u>	<u>11,460,496</u>	<u>10,568,703</u>
NET CHANGE IN FUND BALANCES	628,248	5,924,148	6,552,396
FUND BALANCES AT BEGINNING OF YEAR	<u>15,595,091</u>	<u>10,271,614</u>	<u>25,866,705</u>
FUND BALANCES AT END OF YEAR	<u>\$ 16,223,339</u>	<u>\$ 16,195,762</u>	<u>\$ 32,419,101</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
FORWARD**

\$ 6,552,396

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$7,314,242) exceeds capital outlays (\$6,636,595) in the current period.

(677,647)

Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense.

(47,199)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Unearned tax revenues decreased by this amount this year.

752,806

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.

25,791,835

New borrowings increase Governmental Funds balances; however, this is an increase to liabilities in the statement of net position.

(25,765,000)

Bond premiums are reported in Governmental Funds as revenues; however, in the statement of activities, the revenues from bond premiums are allocated over the term lives of debt instruments as an offset to interest expense.

(2,840,966)

Bond discounts are reported in Governmental Funds as expenses; however, in the statement of activities, the expenses from bond discounts are allocated over the term lives of debt instruments as an increase to interest expense.

(70,390)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the Governmental Funds:

Accrued interest not reflected in Governmental Funds

106,489

SUBTOTAL ADJUSTMENTS FORWARD

\$ (2,750,072)

PENNRIDGE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 6,552,396
SUBTOTAL ADJUSTMENTS FORWARDED	(2,750,072)
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used.	(170,737)
The Internal Service Fund is used by management to charge the costs of certain activities, such as health insurance, to individual funds. The net revenue (expense) of the Internal Service Fund is reported with governmental activities.	453,555
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(481,960)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>3,603,182</u></u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2014

	Enterprise Fund <u>Food Service Fund</u>	Internal Service Fund <u>Self- Insurance Fund</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 950,123	\$ 10,614,431
Investments	208,707	-
Due from other governments	155,330	-
Other receivables	16,332	-
Inventories	77,168	-
Prepaid expenses	-	94,309
Other assets	-	371,033
	<u>1,407,660</u>	<u>11,079,773</u>
TOTAL CURRENT ASSETS		
	<u>1,407,660</u>	<u>11,079,773</u>
CAPITAL ASSETS		
Machinery and equipment	2,256,424	-
Accumulated depreciation	(1,985,470)	-
TOTAL CAPITAL ASSETS	<u>270,954</u>	<u>-</u>
	<u>270,954</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,678,614</u>	<u>\$ 11,079,773</u>
	<u>\$ 1,678,614</u>	<u>\$ 11,079,773</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to other funds	\$ 129,047	\$ -
Accounts payable	14,927	1,851,416
Unearned revenue	38,820	-
	<u>182,794</u>	<u>1,851,416</u>
TOTAL CURRENT LIABILITIES		
	<u>182,794</u>	<u>1,851,416</u>
COMPENSATED ABSENCES, long-term	<u>28,779</u>	<u>-</u>
	<u>28,779</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	270,954	-
Unrestricted	1,196,087	9,228,357
TOTAL NET POSITION	<u>1,467,041</u>	<u>9,228,357</u>
	<u>1,467,041</u>	<u>9,228,357</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,678,614</u>	<u>\$ 11,079,773</u>
	<u>\$ 1,678,614</u>	<u>\$ 11,079,773</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Fund <u>Food Service Fund</u>	Internal Service Fund Self- Insurance Fund <u>Fund</u>
OPERATING REVENUES		
Premiums transferred from General Fund	\$ -	\$ 13,036,156
Stop-loss reimbursements	-	-
Charges for services	<u>1,716,713</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>1,716,713</u>	<u>13,036,156</u>
OPERATING EXPENSES		
Salaries	913,286	-
Employee benefits	310,560	12,582,601
Purchased property service	58,027	-
Other purchased service	12,986	-
Supplies	1,158,849	-
Depreciation	49,815	-
Other operating expenses	<u>5,962</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>2,509,830</u>	<u>12,582,601</u>
OPERATING (INCOME) LOSS	<u>(793,117)</u>	<u>453,555</u>
NONOPERATING REVENUES		
Earnings on investments	3,710	-
State sources	70,475	-
Federal sources	<u>831,891</u>	<u>-</u>
TOTAL NONOPERATING REVENUES	<u>906,076</u>	<u>-</u>
CHANGE IN NET POSITION	112,959	453,555
NET POSITION AT BEGINNING OF YEAR	<u>1,354,082</u>	<u>8,774,802</u>
NET POSITION AT END OF YEAR	<u>\$ 1,467,041</u>	<u>\$ 9,228,357</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2014

	Enterprise Fund <u>Food Service Fund</u>	Internal Service Fund <u>Self- Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,715,109	\$ -
Cash transferred from General Fund for insurance premiums	-	13,036,156
Cash received from other reimbursements	-	177,541
Payments to employees	(881,034)	-
Payments to suppliers	<u>(1,403,581)</u>	<u>(12,530,284)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(569,506)</u>	<u>683,413</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal sources	618,709	-
State sources	<u>63,891</u>	<u>-</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>682,600</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition, construction and improvements of capital assets	<u>(116,337)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(869)	-
Earnings on investments	<u>3,710</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,841</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(402)	683,413
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>950,525</u>	<u>9,931,018</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>950,123</u></u>	\$ <u><u>10,614,431</u></u>

PENNRIDGE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2014

	Enterprise Fund <u>Food Service Fund</u>	Internal Service Fund <u>Self- Insurance Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (793,117)	\$ 453,555
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	49,815	-
Donated foods	125,226	-
(Increase) decrease in		
Accounts receivable	(1,604)	-
Other receivables	-	177,541
Inventories	3,008	-
Prepaid expenses	-	12,507
Increase in		
Interfund balances	27,392	-
Accounts payable	<u>14,914</u>	<u>39,810</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (569,506)</u>	<u>\$ 683,413</u>
SUPPLEMENTAL DISCLOSURES		
Noncash activities		
Donated foods	\$ 125,226	\$ -

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 174,873
Investments	41,054
Other receivables	<u>24,640</u>
TOTAL ASSETS	<u>\$ 240,567</u>
LIABILITIES	
Due to other funds	\$ 483
Due to students	65,694
Due to student organizations	<u>174,390</u>
TOTAL LIABILITIES	<u>\$ 240,567</u>

See accompanying notes to the basic financial statements.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pennridge School Board is the basic level of government which has oversight responsibility and control over all activities related to public school education in the Pennridge School District (the "School District"). The School District encompasses an area of approximately 94 square miles in Upper Bucks County and operates under and pursuant to the Pennsylvania School Code and is classified as a School District of the Second Class under the Code. The School District receives funding from local, state and federal government sources and must comply with the requirements of these funding sources.

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District, for financial reporting purposes, includes all of the funds and account groups relevant to operations of the seven elementary schools, two middle schools and two high schools comprising the School District. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus--An Amendment of GASB Statements No. 14 and No. 39*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. This report presents the activities of the Pennridge School District. The School District is not a component unit of another reporting entity nor does it have any component units.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary. All funds reported in the current fiscal year are major funds.

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

Proprietary Funds

Enterprise Fund - The Enterprise Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

PENNRIDGE SCHOOL DISTRICT

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Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation.

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by an activity to other departments, funds, or component units of the School District on a cost-reimbursement basis. Because the principal users of the internal services are the School District's governmental activities, the financial statements of the Internal Service Fund are consolidated into the governmental activities column when presented in the government-wide financial statements.

Self-Insurance Fund - The Self-Insurance Fund is used to account for all financial transactions related to the administration of the School District's self-insured health plans.

Fiduciary Funds

Agency Funds - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's Agency Funds include the Student Activities Fund and the Student Loan Fund.

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Statutes authorize the School District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation, or in certificates of deposit when they are secured by proper bond or collateral. Investments must be of a temporary nature. At June 30, 2014, the School District had investments in various certificates of deposit, Federal Agency securities, U.S. Treasury notes and trust accounts with the Pennsylvania Local Government Investment Trust and the Pennsylvania School District Liquid Asset Fund.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2014, was in excess of the minimum requirements just described.

PENNRIDGE SCHOOL DISTRICT
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The School District has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under GASB Statement No. 31, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in the Governmental Funds and as nonoperating revenues/expenses in the Proprietary Funds.

On the fund financial statements, short-term interfund loans are classified as “due from/to other funds.” These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances are considered “available spendable resources.”

Inventories and Prepaid Items

Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. Donated foods are valued at their fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported on both statement types.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	50
Furniture, equipment and vehicles	5-20

Unearned Revenue

Unearned revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Such is the case when revenue arises when resources are received by the School District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the School District has a legal claim to the resources, the liability for unearned revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Types statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The benefits are accrued when incurred in the government-wide, Proprietary and Fiduciary Funds financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

PENNRIDGE SCHOOL DISTRICT
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Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws and is in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

GASB Statement No. 53

The School District adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, for the year ended June 30, 2010. Upon implementation of this statement, the School District was required to record derivative instruments in the government-wide financial statements.

In order to implement this statement, the School District had to evaluate its derivatives to determine if the financial instruments effectively hedge risks utilizing the methods defined under GASB Statement No. 53. The accounting for recording these derivative instruments is different for derivative instruments that are determined to be effective versus those that are determined to be ineffective. For those derivative instruments that are determined to be effective, the derivative asset or liability is recorded in the statement of net position, and a corresponding deferred inflow or outflow will be recorded in the statement of net position as well. For those derivative instruments that are determined to be ineffective, the derivative asset or liability is recorded in the statement of net position; however, the change in fair value of the instrument will be reported in the investment revenue (expense) classification in the statement of activities.

Hedge accounting under GASB Statement No. 53 terminates if the hedge is no longer effective based on the qualitative and quantitative methods. If the hedged asset or liability is sold or retired or if the government entity is re-exposed to the hedged financial risk, hedge accounting will no longer apply. Once the hedge no longer qualifies for hedge accounting, the fair value changes are recorded as investment gain or loss.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted on the government-wide statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District's deferred outflows on the statement of net position consist of deferred charges on debt refundings, net of accumulated amortization.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance and GASB Statement No. 54

The School District classifies its fund balance under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of School Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

PENNRIDGE SCHOOL DISTRICT

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The Board of School Directors establishes (and modifies or rescinds) fund balance commitments and assignments by passage of a resolution. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The School District will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

In the General Fund, the School District has committed funds for the purchase of software, capital projects and future retirement rate increases. The details of the fund balances are included in the Governmental Funds balance sheet (page 18).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, the carrying amount of the School District's deposits was \$16,940,252 and the bank balance was \$12,367,474. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,492,604 was uninsured; however, the deposits exceeding the FDIC insurance coverage were properly collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania. The remaining cash deposits totaling \$8,624,870 of the School District are in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Investments

As of June 30, 2014, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than One Year</u>
State investment pools	\$ 10,160,641	\$ 10,160,641
Certificates of deposit	34,669,762	34,669,762
	<u>\$ 44,830,403</u>	<u>\$ 44,830,403</u>

Statutes authorize the School District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools, or mutual funds.

A portion of the School District's cash investments is in the PSDLAF of which are funds very similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a state treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities.

Therefore, the PSDLAF cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2014, is \$10,160,641. The fair value of the position in this investment is the same as the value of the pool shares, i.e., it maintains a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk, Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investments subject to custodial credit risk.

PENNRIDGE SCHOOL DISTRICT
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Credit Risk

The School District has no investment policy that would limit its investment choices to those with certain credit ratings. As of June 30, 2014, PSDLAF was rated as AAAm by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The following investments represent greater than 5% of the School District's total investments:

Certificate of deposit with Pennsylvania PSDLAF	\$ <u>34,420,000</u>
--	----------------------

NOTE C TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the School District, as determined by Bucks County.

Tax rates for the School District for the year ended June 30, 2014, were as follows:

Real estate taxes.....	125.1081 mills
Real estate transfer taxes	1%
Earned income tax	1%

In addition to the above taxes, the School District levies a \$52 local services tax.

Taxes are levied on July 1 and payable in the following periods:

Discount period	July 1 to August 30 - 2% of gross levy
Face period	August 31 to October 31
Penalty period	November 1 to December 31 - 10% of gross levy
Lien date.....	January 1

School District taxes are billed and collected by the local elected tax collectors. Property taxes attach as an enforceable lien on property as of July 1.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE D ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, consisted of taxes, other receivables and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	General Fund	Food Service Fund	Agency Funds
Real estate taxes	\$ 1,830,889	\$ -	\$ -
Earned income taxes	88,467	-	-
Real estate transfer taxes	96,515	-	-
Local service taxes	2,427	-	-
Due from other governments	1,106,242	155,330	-
Other receivables	590,948	16,332	24,640
	<u>\$ 3,715,488</u>	<u>\$ 171,662</u>	<u>\$ 24,640</u>

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from Other Funds

The composition of interfund balances as of June 30, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	General Fund	\$ 1,950,000
General Fund	Food Service Fund	129,047
General Fund	Agency Funds	483
		<u>\$ 2,079,530</u>

The amounts between the General Fund and Food Service Fund are for payroll reimbursements.

Interfund Transfers

Transfer In	Transfer Out	Amount
Capital Projects Fund	General Fund	\$ <u>11,460,496</u>

The Board approves transfers from the General Fund to the Capital Projects Fund to provide funding for current and future capital improvement needs of the School District.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and land improvements	\$ 950,176	\$ -	\$ -	\$ 950,176
Construction in progress	3,924,982	1,384,215	(3,924,982)	1,384,215
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4,875,158	1,384,215	(3,924,982)	2,334,391
Capital assets being depreciated				
Buildings and building improvements	214,154,048	7,349,787	-	221,503,835
Furniture, equipment and vehicles	24,972,813	2,830,498	-	27,803,311
TOTAL CAPITAL ASSETS BEING DEPRECIATED	239,126,861	10,180,285	-	249,307,146
Accumulated depreciation				
Buildings and building improvements	(58,111,986)	(5,401,260)	-	(63,513,246)
Furniture, equipment and vehicles	(21,196,513)	(1,912,982)	-	(23,109,495)
TOTAL ACCUMULATED DEPRECIATION	(79,308,499)	(7,314,242)	-	(86,622,741)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	159,818,362	2,866,043	-	162,684,405
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	164,693,520	4,250,258	(3,924,982)	165,018,796
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	2,140,087	116,337	-	2,256,424
Accumulated depreciation	(1,935,655)	(49,815)	-	(1,985,470)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	204,432	66,522	-	270,954
CAPITAL ASSETS, net	\$ 164,897,952	\$ 4,316,780	\$ (3,924,982)	\$ 165,289,750

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE G LONG-TERM DEBT

General Obligation Bonds and Notes

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 8,704,603	\$ 2,333,813
2016	9,551,975	2,508,429
2017	9,916,718	2,368,197
2018	9,861,461	2,259,879
2019	9,786,461	2,072,212
2020 to 2024	54,416,334	6,199,970
2025 to 2029	<u>17,957,461</u>	<u>999,855</u>
	<u>\$ 120,195,013</u>	<u>\$ 18,742,355</u>

In May 2014, the School District authorized the issuance of General Obligation Bonds, Series A of 2014 and Series B of 2014. The Series A of 2014 was issued for the purpose of planning, designing, acquiring, constructing, furnishing and equipping repairs and improvements to the School District's South Middle and West Rockhill Elementary Schools, the School District's Support Center and, to the extent of the remaining funds, other buildings and facilities of the School District and to pay the costs of issuing the bonds. The Series B of 2014 was issued for the purpose of providing funds to currently refund the General Obligation Bonds of 2009, advance refund the General Obligation Bonds of 2013 and General Obligation Bonds A of 2013 and to pay the costs of issuing and insuring the bonds. The Series B of 2014 issue will reduce debt service payments for the School District by \$772,614.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE H CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>
GOVERNMENTAL ACTIVITIES		
General obligation bonds		
Series A of 2003	February 15, 2027	Variable, currently 1.7%
Series of 2009	February 15, 2021	2.50% to 4.00%
Series of 2010	February 15, 2024	2.25% to 3.50%
Series of 2012	February 15, 2026	2.00% to 2.50%
Series A of 2012	February 15, 2029	1.00% to 2.50%
Series AA of 2012	March 15, 2027	1.75% to 2.00%
Series of 2013	February 15, 2029	2.00% to 3.00%
Series A of 2013	April 15, 2026	2.00% to 2.25%
Series A of 2014	February 15, 2025	1.60% to 5.00%
Series B of 2014	February 15, 2023	1.00% to 5.00%
General obligation notes		
Series of 1999	February 1, 2018	Variable, currently 3.8%
Series of 2000	February 1, 2021	Variable, currently 0.6%
Series A of 2004	August 1, 2020	Variable, currently 0.7%
Series C of 2004	August 1, 2023	Variable, currently 1.8%
Series of 2010	November 15, 2025	Variable, currently 0.5%
TOTAL GENERAL OBLIGATION		
BONDS AND NOTES		
Lease-purchase obligations		
Compensated absences (Note L)		
Net OPEB obligation (Note P)		
Unamortized bond premium		
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES		
BUSINESS-TYPE ACTIVITIES		
Compensated absences (Note L)		

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 21,200,000	\$ -	\$ (4,300,000)	\$ 16,900,000	\$ 4,500,000
15,410,000	-	(15,410,000)	-	-
7,055,000	-	(565,000)	6,490,000	575,000
7,915,000	-	(100,000)	7,815,000	140,000
9,955,000	-	(5,000)	9,950,000	115,000
9,780,000	-	(5,000)	9,775,000	5,000
8,930,000	-	(2,115,000)	6,815,000	245,000
6,605,000	-	(355,000)	6,250,000	235,000
-	10,000,000	-	10,000,000	-
-	15,765,000	-	15,765,000	5,000
2,075,000	-	(380,000)	1,695,000	395,000
5,370,000	-	(560,000)	4,810,000	590,000
14,300,000	-	(1,800,000)	12,500,000	1,800,000
10,000,000	-	-	10,000,000	-
<u>1,626,848</u>	<u>-</u>	<u>(196,835)</u>	<u>1,430,013</u>	<u>99,603</u>
120,221,848	25,765,000	(25,791,835)	120,195,013	8,704,603
-	1,315,996	(313,073)	1,002,923	323,248
2,561,909	170,737	-	2,732,646	-
3,375,759	481,960	-	3,857,719	-
<u>880,500</u>	<u>2,930,372</u>	<u>(186,678)</u>	<u>3,624,194</u>	<u>-</u>
\$ <u>127,040,016</u>	\$ <u>30,664,065</u>	\$ <u>(26,291,586)</u>	\$ <u>131,412,495</u>	\$ <u>9,027,851</u>
\$ <u>23,919</u>	\$ <u>4,860</u>	\$ <u>-</u>	\$ <u>28,779</u>	\$ <u>-</u>

NOTE I INTEREST RATE SWAP

Objective

As a means to assist the School District in managing interest costs when compared against the School District's fixed-rate debt, the School District entered into an interest rate swap agreement (the "Swap") to take advantage of historically low interest rates without completing a refunding of any of its long-term debt.

Terms

The School District entered into the Swap Agreement with Deutsch Bank on October 15, 2005, that matures on August 14, 2014. The executed transaction is a nine-year amortizing fixed-to-floating interest rate swap. The notional amount of the swap is \$74,370,000. The School District pays the counterparty a fixed rate of 3.25%. The counterparty pays the School District a computed rate of 67% of the one-month London Interbank Offered Rate (LIBOR). The LIBOR was 1.52% as of June 30, 2014.

Fair Value

As of June 30, 2014, the Swap had a negative fair value of \$240,830. The change in fair value for the fiscal period ending June 30, 2014, was an increase of \$1,450,735. An interest rate swap is a financial instrument whose economic value will change over time. The economic value may be positive or negative, depending on interest rate movements after the initial trade date. The Swap's fair value was estimated by comparing the fixed rate set at the inception of the transaction and the "swap replacement rate," which represents the market rate for an offsetting interest rate swap with the same notional amount and final maturity date. The market value was then determined by calculating the present value interest differential between the contractual swap and the replacement swap.

Credit Risk

As of June 30, 2014, the School District was not exposed to credit risk because the Swap had a negative fair value. However, should interest rates change and the fair value of the Swap become positive, the School District would be exposed to credit risk in the amount of the derivative's fair value. The counterparty was rated A2 by Moody's, A+ by Fitch and A by Standard & Poor's.

Termination Risk

The School District or the counterparty may terminate the Swap if the other party fails to perform under the terms of the agreement. If, at the time of termination, the Swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the Swap's negative fair value of \$240,830.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE J UNEARNED REVENUE

Food Service Fund

At June 30, 2014, Food Service Fund unearned revenue consisted of prepaid student lunches of \$38,820.

NOTE K PENSIONS

School districts in the Commonwealth of Pennsylvania participate in a state administered pension program. Under the program, contributions are made by each of three parties--the School District, the state and the employee. All full-time employees of the School District and part-time employees who meet certain minimum employment requirements participate in the program.

The state matches the School District's contribution. The School District's contribution is made on a quarterly basis, and employee contributions are made on a monthly basis. The School District has no responsibility for operation and administration of the pension program. The employer and employee obligations to contribute are established by authority of the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended).

A participant may retire with a normal retirement allowance at the age of 62 with one full year of service, age 60 with 30 or more years of service, or with 35 years of service regardless of age. The normal retirement allowance, paid monthly for life and then to beneficiaries if certain options are exercised, equals 2% of the average of the highest three years' earnings multiplied by the number of years of credited service.

Early retirement is permitted at age 55 or older with 25 years or more of credited service with a reduction of 3% per year of normal retirement benefits.

Plan Description

Name of Plan: Public School Employees' Retirement System (the "System").

Type of Plan: Governmental cost-sharing multiple-employer defined benefit plan.

Benefits: Retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-8535).

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 North 5th Street, Harrisburg, PA 17108-0125, or by emailing Beth at bgirman@pa.gov. This CAFR is also available on the publications page of the PSERS website at www.psers.state.pa.us.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth.

Contribution Rates

Member Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and .93% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2014, 2013 and 2012, was \$9,267,574, \$6,859,577 and \$4,897,829, respectively, equal to the required contribution for each year.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE L COMPENSATED ABSENCES

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The liability to current employees is estimated and will change since unused vacation will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded as an expenditure in the period taken or as an accrued expenditure in the fiscal year of separation. Vacation compensation payable in future years, which was \$665,325 at June 30, 2014, is recorded in compensated absences on the statement of net position.

Most School District employees are credited with a minimum of ten days of sick leave annually to an unlimited maximum and two personal leave days annually to a limit up to five days. Upon retirement or termination and after ten years of service to the School District, such employees are compensated for each day of accumulated sick leave. Rates of compensation and limits on accumulations are dependent on job classification. Sick leave compensation payable in future years, which was \$2,096,100 at June 30, 2014, is recorded in compensated absences on the statement of net position.

NOTE M COMMITMENTS AND CONTINGENCIES

There are a number of tax assessment appeals in the Court of Common Pleas of Bucks County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact.

As of June 30, 2014, several suits and claims were in progress dealing with various subject matters. In these actions, indicated amounts are either not material or management is of the opinion that insurance coverage is adequate to cover the applicable claim. Management believes no adverse financial decisions of a material amount against the School District would result from these legal proceedings.

The School District receives federal, state and local funding under a number of programs. Payments made by those sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. The School District officials do not expect any significant adjustment as a result of these examinations. The School District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of grant program expenditures.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE N RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The School District is currently using the system of reimbursement financing to pay Pennsylvania unemployment compensation claims. Under this method, a liability occurs only when a former employee collects unemployment benefits. The School District must then reimburse the Commonwealth for these claims paid.

NOTE O SELF-INSURANCE

The School District is self-insured for its medical, dental and hospitalization benefits and prescription drug benefits. The monthly premium is revised annually in April for the upcoming fiscal year beginning July 1 and is based upon actual cost plus basis per third-party administrator. The School District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2014. The claims liability has historically been satisfied within 120 days after June 30, and is classified as a portion of accounts payable.

Change in Aggregate Claim Liabilities

	<u>2014</u>	<u>2013</u>
CLAIMS LIABILITIES AT BEGINNING OF YEAR	\$ 1,811,606	\$ 2,234,528
Current year claims and changes in estimates	12,582,601	12,269,975
Claim payments by School District	<u>(12,542,791)</u>	<u>(12,692,897)</u>
CLAIMS LIABILITIES AT END OF YEAR	<u>\$ 1,851,416</u>	<u>\$ 1,811,606</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE P OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District provides medical, prescription drug, dental and vision insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by School District board members and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

Funding Policy

The School District negotiates the contribution percentage between the School District and employees through union contracts and its personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The School District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the School District.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation to the plan are as follows:

Normal cost	\$ 403,099
Amortization of unfunded actuarial accrued liability	936,794
Interest	18,139
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>1,358,032</u>
Interest on net OPEB obligation	151,909
Adjustment to ARC	<u>(511,797)</u>
ANNUAL OPEB EXPENSE	<u>998,144</u>
Net OPEB contributions during the year	<u>(516,184)</u>
INCREASE IN NET OPEB OBLIGATION	<u>481,960</u>
Net OPEB obligation at beginning of year	<u>3,375,759</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 3,857,719</u></u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 853,527	51%	\$ 2,759,967
2013	1,063,794	42%	3,375,759
2014	998,144	52%	3,857,719

Funded Status and Funding Progress

As of July 1, 2012, the actuarial accrued liability for benefits was \$6,179,002 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$52,821,696, and the ratio of the unfunded actuarial accrued liability (UAAL) to covered payroll was 11.70%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress on page 54, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

In the July 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements of .5% per year to an ultimate rate of 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. Both rates included a 3.0% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012, was 26 years.

NOTE Q DONATED FOODS

The Food Service Fund contains inventories which consist of both food commodities donated by the federal government and other food and supply inventories. Donated foods represent \$616 of the Proprietary Funds' inventory balance at June 30, 2014. These inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and are expensed as used.

NOTE R LEASES

The School District leased various photocopy machines and accessories under a lease that operated on a month-to-month basis through June 30, 2014, whereby the School District pays a set cost per copy made. Total costs for such leases were \$42,835 for the year ended June 30, 2014.

The School District has entered into lease agreements as lessee for financing the acquisition of computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Computer equipment	\$ 1,315,996
Accumulated depreciation	<u>(131,600)</u>
	<u>\$ 1,184,396</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

<u>Year Ending June 30,</u>	
2015	\$ 355,843
2016	355,843
2017	<u>355,843</u>
	1,067,529
Amount representing interest	<u>(64,606)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ <u><u>1,002,923</u></u>

NOTE S ADOPTION OF NEW ACCOUNTING GUIDANCE

For the year ended June 30, 2014, the School District adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. The adoption of this statement had no effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PENNRIDGE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 88,435,863	\$ 88,435,863	\$ 91,386,742	\$ 2,950,879
State sources	25,182,041	25,182,041	23,997,031	(1,185,010)
Federal sources	1,134,680	1,134,680	1,273,103	138,423
TOTAL REVENUES	114,752,584	114,752,584	116,656,876	1,904,292
EXPENDITURES				
Instruction	69,444,818	69,446,936	70,064,372	617,436
Support services	32,157,407	32,405,648	31,525,326	(880,322)
Operation of non-instructional services	1,369,769	1,447,724	1,378,493	(69,231)
Facilities acquisition, construction and improvement services	-	12,644	12,959	315
Debt service	13,154,420	12,813,462	12,099,184	(714,278)
Refund of prior year receipts	-	-	56,501	56,501
TOTAL EXPENDITURES	116,126,414	116,126,414	115,136,835	(989,579)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,373,830)	(1,373,830)	1,520,041	2,893,871
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	-	7,569,373	7,569,373
Proceeds from refunding bonds	-	-	18,195,627	18,195,627
Payments to refunded bond escrow agent	-	-	(18,129,249)	(18,129,249)
Bond premium	-	-	2,930,372	2,930,372
Transfers out	-	-	(11,460,496)	(11,460,496)
Proceeds from sale of fixed assets	-	-	2,580	2,580
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(891,793)	(891,793)
NET CHANGE IN FUND BALANCE	(1,373,830)	(1,373,830)	628,248	2,002,078
FUND BALANCE AT BEGINNING OF YEAR	15,595,091	15,595,091	15,595,091	-
FUND BALANCE AT END OF YEAR	\$ 14,221,261	\$ 14,221,261	\$ 16,223,339	\$ 2,002,078

See accompanying note to the budgetary comparison schedule.

PENNRIDGE SCHOOL DISTRICT

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

NOTE A BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the Capital Projects Fund. All transactions of this fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the Business Administrator submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Special Revenue Funds.
6. Budgeted amounts are as originally adopted or as amended by the School Board.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

Included in the General Fund budget are program budgets as approved by the state and federal agencies funding the program. Program budgets normally cover fiscal periods different from the School District's. Therefore, for financial statement presentation, program budgets are adjusted, based on expenditures, to reflect a 12-month budget which corresponds to the School District's.

PENNRIDGE SCHOOL DISTRICT**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION****FUNDING PROGRESS***Year Ended June 30, 2014***SCHEDULE OF FUNDING PROGRESS**

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a % of Covered Payroll (c)/(e)
2008	\$ -	\$ 6,349,505	\$ 6,349,505	0.00%	\$ 45,319,427	14.01%
2010	-	5,277,747	5,277,747	0.00%	45,582,174	11.58%
2012	-	6,179,002	6,179,002	0.00%	52,821,696	11.70%

SUPPLEMENTARY INFORMATION SECTION

PENNRIDGE SCHOOL DISTRICT**COMBINING SCHEDULE OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS***June 30, 2014*

	Agency Funds		
	<u>Student Loan Fund</u>	<u>Student Activities Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 174,873	\$ 174,873
Investments	41,054	-	41,054
Other receivables	<u>24,640</u>	<u>-</u>	<u>24,640</u>
TOTAL ASSETS	<u>\$ 65,694</u>	<u>\$ 174,873</u>	<u>\$ 240,567</u>
LIABILITIES			
Due to other funds	\$ -	\$ 483	\$ 483
Due to students	65,694	-	65,694
Due to student organizations	<u>-</u>	<u>174,390</u>	<u>174,390</u>
TOTAL LIABILITIES	<u>\$ 65,694</u>	<u>\$ 174,873</u>	<u>\$ 240,567</u>

***Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards***

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennridge School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise the Pennridge School District's basic financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pennridge School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pennridge School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pennridge School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pennridge School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Maullie LLP".

Oaks, Pennsylvania
December 18, 2014

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With OMB Circular A-133***

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Pennridge School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Pennridge School District's major federal programs for the year ended June 30, 2014. Pennridge School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Pennridge School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pennridge School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Pennridge School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Pennridge School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Pennridge School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pennridge School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pennridge School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
December 18, 2014

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

PENNRIDGE SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS***Year Ended June 30, 2014*

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Date</u>
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I Improving Basic Programs	I	84.010*	13-132328-A	July 1, 2012 to September 30, 2013
Title I Improving Basic Programs	I	84.010*	13-142328	July 1, 2013 to September 30, 2014
Title II Improving Teacher Quality	I	84.367	20-120328-A	July 1, 2011 to September 30, 2012
Title II Improving Teacher Quality	I	84.367	20-130328	July 1, 2012 to September 30, 2013
Title II Improving Teacher Quality	I	84.367	20-140328-A	July 1, 2013 to September 30, 2014
Title III Language Instruction LEP/Immigrant Students	I	84.365	10-130328-A	July 1, 2012 to September 30, 2013
Title III Language Instruction LEP/Immigrant Students	I	84.365	10-140328-A	July 1, 2013 to September 30, 2014
Passed through the Bucks County Schools Intermediate Unit No. 22				
IDEA	I	84.027*	62-130022 B1	July 1, 2012 to September 30, 2013
IDEA	I	84.027*	62-140022-1	July 1, 2013 to September 30, 2014
IDEA-B SECTION 619	I	84.173*	131-130022	July 1, 2013 to June 30, 2014
TOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2013</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2014</u>
\$ 540,099	\$ 32,490	\$ 38,642	\$ -	\$ -	\$ 6,152
479,636	111,617	-	428,811	428,811	317,194
169,352	4,999	4,999	-	-	-
171,894	12,246	34,524	-	-	22,278
162,910	37,646	-	135,530	135,530	97,884
20,369	9,738	9,738	-	-	-
16,014	3,696	-	22,616	22,616	18,920
1,193,043	435,852	435,852	-	-	-
1,071,873	451,559	-	1,071,873	1,071,873	620,314
2,667	<u>-</u>	<u>-</u>	<u>2,667</u>	<u>2,667</u>	<u>2,667</u>
	\$ <u>1,099,843</u>	\$ <u>523,755</u>	\$ <u>1,661,497</u>	\$ <u>1,661,497</u>	\$ <u>1,085,409</u>

PENNRIDGE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARDED				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Public Welfare				
ACCESS - Admin. Claiming Program	I	93.778	N/A	July 1, 2013 to June 30, 2014
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
National School Lunch Program	I	10.555*	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program	I	10.555*	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program	S	N/A	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program	S	N/A	N/A	July 1, 2013 to June 30, 2014
U.S.D.A. Donated Commodities	I	10.550	N/A	July 1, 2013 to June 30, 2014
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
LESS STATE SHARE				
TOTAL EXPENDITURES OF FEDERAL AWARDS				

Source Codes:

D = Direct Funding

I = Indirect Funding

S = State Funding

* = Major Program

See accompanying notes to the schedule of expenditures of federal and certain state awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2013</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2014</u>
	\$ <u>1,099,843</u>	\$ <u>523,755</u>	\$ <u>1,661,497</u>	\$ <u>1,661,497</u>	\$ <u>1,085,409</u>
N/A	41,154	-	41,154	41,154	-
N/A	521,406	40,181	596,872	596,872	115,647
N/A	91,765	7,866	109,793	109,793	25,894
N/A	56,407	7,205	60,701	60,701	11,499
N/A	7,484	-	9,774	9,774	2,290
N/A	<u>125,132</u> (a)	<u>(710)</u> (b)	<u>125,226</u>	<u>125,226</u> (c)	<u>(616)</u> (d)
	802,194	54,542	902,366	902,366	154,714
	<u>(63,891)</u>	<u>(7,205)</u>	<u>(70,475)</u>	<u>(70,475)</u>	<u>(13,789)</u>
	\$ <u><u>1,879,300</u></u>	\$ <u><u>571,092</u></u>	\$ <u><u>2,534,542</u></u>	\$ <u><u>2,534,542</u></u>	\$ <u><u>1,226,334</u></u>

Footnotes:

(a) Total amount of foods received from the Department of Agriculture.

(b) Beginning inventory at July 1, 2013.

(c) Total amount of foods used.

(d) Ending inventory at June 30, 2014.

PENNRIDGE SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS

Year Ended June 30, 2014

NOTE A ORGANIZATION AND SCOPE

The schedule of expenditures of federal and certain state awards is a listing of the total federal financial assistance received, both directly and/or indirectly, from the U.S. Departments of Education, Health and Human Services and Agriculture.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District uses the modified accrual basis of accounting to report federal, state and other grants. Revenues designated for payment of specified School District expenditures are recognized when the related expenditures are incurred. Any excess of receipts or expenditures at the fiscal year-end are recorded as deferred revenue or a receivable, respectively. The modified accrual basis of accounting is described in Note A to the financial statements.

Total assistance is valued at the sum of cash received and the value of U.S.D.A. donated foods based upon the federal price list accompanying each shipment.

NOTE C PROGRAM OBJECTIVES

Title I Grants to Improve Basic Programs - To improve the teaching and learning of children who are at risk of not meeting challenging and academic standards and who reside in areas with high concentrations of children from low-income families.

National School Lunch Program - To (1) assist states through cash grants and donations in making lunch available to school children and (2) encourage the domestic consumption of agricultural commodities and other foods. To improve the diets of school children in need of food assistance and to increase the market for domestically produced foods acquired under surplus removal or price support operations.

Title II Improving Teacher Quality - To upgrade the expertise of teachers and other school staff to enable them to teach all children to meet state content standards and to sustain high quality professional development focused on core academic subjects.

Title III Language Instruction LEP/Immigrant Students - Improve education of limited English proficient students and provide enhanced instructional opportunities for immigrant children and youths.

Individuals with Disabilities Education (IDEA) Programs - To (1) ensure that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs; (2) ensure that the rights of children with disabilities and their parents or guardians are protected; (3) assist states, localities, educational service agencies and federal agencies to provide for the education of all children with disabilities; and (4) assess and ensure that effectiveness of efforts to educate children with disabilities.

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Pennridge School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Pennridge School District were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major award programs for the Pennridge School District expresses an unmodified opinion.
6. The programs tested as major programs include:

<u>Program</u>	<u>CFDA</u>
Special Education Cluster	84.027, 84.173
National School Lunch Program	10.555

7. The threshold used for distinguishing Types A and B programs was \$300,000.
8. Pennridge School District was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

None.